

SaaS Show 3 -- The Impact of COVID-19 on the SaaS sector What New Applications Within the Sector Will We See Come Up?

In today's show, you'll hear investor perspectives on the COVID-19 impact on the SaaS sector.

This is Investor Perspectives, I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

It's the time of COVID-19. Software as a Service is currently undergoing tremendous change across the U.S. The lockdown has disrupted many industries such as travel, hospitality, restaurants, and more. We have investors and startup founders describe the impact of COVID-19 on the SaaS market.

Our guests are:

1. **[Matt Oguz](#)**, Chief Investment Officer, **[Iris Family Office](#)** and Founding Partner at Venture Science, **[Venture Science](#)**
2. **[George Spencer](#)**, Managing Partner, **[Seyen Capital](#)**
3. **[Chris Hall](#)**, Principal, **[Escalate Capital Partners](#)**
4. **[Nick Adams](#)**, Managing Partner, **[Differential Ventures](#)**
5. **[Jason Kraus](#)**, Partner, **[EQx Fund](#)**
6. **[Karey Barker](#)**, Founding Managing Director, **[Cross Creek](#)**
7. **[John Gu](#)**, Principal-Growth Equity Group, **[Spring Mountain Capital](#)**
8. **[JD Weinstein](#)**, Head, Global VC Practice, **[Oracle](#)**
9. **[Stuart Kime](#)**, Co-Founder, Chief Future Officer, **[hOp](#)**

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Our first guest is Matt Oguz, Chief Investment Officer, Iris Family Office and Founding Partner at Venture Science, Venture Science

Hall T Martin: [00:15:16] And so, do you think we'll see any new applications in the SaaS sector that are coming up because of COVID-19? Are there any new projects, or companies, or whatever that are coming in SaaS that you didn't see or see much before?

Matt Oguz: [00:15:31] I think during the COVID era and maybe even post-COVID, what we're going to see, in my opinion, is most people could become digital content providers. Everybody has a story to tell, everybody has something to say, and everybody has something to teach even. And that could be anything. Teaching how to put together an IKEA shelf where IKEA, a piece of furniture in the shortest period of time. And so to do that, you're going to need software to put together that digital content so that you can release it to the rest of the world. And so, when more and more people become, you know, you'll remember the time when eBay came about and all of a sudden everybody was selling stuff on eBay and there were eBay - I don't know if they have conferences anymore - but, you know, you would go out there to these conferences and learn best practices because you got all that stuff, or some people call it junk and not just used stuff, new stuff too, people sold it on eBay. So, now people are thinking about, you know, how could I generate revenue? How could I generate income for myself or maybe turn it into a business and put it out there in the world, and I wonder if anybody is willing to buy, willing to pay for it? And so, in that era, you know, companies, newer companies will emerge to make that happen. It's sort of like Craigslist, you know, I think it was started maybe over 20 years ago, but it was mostly around physical things and exchanges or platforms of newer platforms of this digital exchange. We do need an exchange in order to monetize on something, right? And so absolutely, I think this new mode of, I don't know if you would call it gig economy, it's not just a gig, it could be a very serious business; this is here to stay.

Our next guest is George Spencer, Managing Partner, Seven Capital

Hall T Martin: [08:03]: So what new applications in SaaS you think are really coming up now because of covid?

George Spencer: [08:11]: The telehealth stuff obviously is just totally on fire. I mean, we're seeing growth rates there of 500% a year. Type of software companies that are of some reasonable level of scale and a really, really capital efficient manner. There's no resistance on the customer front. There's just how many more sales guys can you get out in the field and how effective can they be.

George Spencer: [08:39]: That's clearly one area. The ability to manage things remotely is an area that it's doing really well and that tends to be companies that are able to take data, that they're able to gather remotely and transfer that into value. I've got a company called Reconstruct and it actually helps. It helps, it takes drone data and other what they call reality capture, which is essentially interns walking around buildings, taking pictures. And it allows you to manage a construction site from a remote place. Now, that works as long as the construction workers are allowed to work in the build. If they're not, that ends up being not such a good place. But I mean, they're saying they have not seen any kind of downturn in their business at all.

Our next guest is Chris Hall, Principal, Escalate Capital Partners

[00:09:49] Hall Martin: So what new applications you think you're going to come up now that we've gone through COVID and, you know, it changes the landscape a little bit about what people care about, but where do you think the new applications might be?

[00:10:02] Chris Hall: So, you know, I wouldn't be surprised if you see a lot of things that are like trying to adjust to a 100% percent virtual workforce, like "we're never coming to the office again, nothing will ever be the same", I personally don't really like that because nothing ends up being extreme, usually, right, I use an absolute to say that, but it's just rare, right? So it's always some sort of mixture. So I can definitely see, you know, things as far as, so say you have some software that is managing distributed workforce, right, but if there's some hybrid between how to manage people when they come in the office, albeit maybe about five days a week, maybe two or three, and also how to manage being at home, like that would be I think a longer-term solution than just how do we manage people who will work from home forever? Because, I mean again, I can't tell our future but I just don't see that happening. Just like, you know, this is very different from September 11, but I remember people said, "travel will never be the same after that, ever, ever, ever", and then, you know, there's some differences, but you know, security is tougher, but travel was at an all-time high last year, right, so maybe it was a lull. But it's easy to make an easy projection on. It's a similar situation for the Austin audience. Remember when the ridesharing companies left and three new companies popped up for real ridesharing services, and then when Uber and Lyft came back they had a really tough time? You know, that was a short-term solution, that was I mean great, I used them, they're very helpful but it's not long-term solutions when the _____ come back. So, it's both addressing current needs, but I guess at the end of the day it's just really flexibility, right, to deal with the pivot as needed, same thing that helped companies, you know, adapt to everything being, you know, it's really a strong economy to 10% + unemployment to 15% and everyone is shut down. So yeah, I mean, I think a lot of applications that will enable, you know, virtual work to try to adjust to this new normal that we have, but at the end of the day I think it's going to be a hybrid where it returns to what it was a couple of years ago just with a couple key differences.

[00:12:07] Hall Martin: Well I'm hearing a lot about manufacturing coming back to the U.S., in fact, I heard a new term yesterday, "Reshoring", where people are bringing the manufacturing back home

because you may need that equipment in short order, you may need that equipment because of, you know, whatever reason, and so they're bringing it back and of course with manufacturing that comes a lot of software tools and SaaS tools around supply-chain visibility and manufacturing control. Heard that there's over 400,000 open jobs for robotic solution engineers, of which a majority of that is actually in the software side of it as well, but do you ever see much action in those places so far?

[00:12:49] Chris Hall: We've occasionally seen a couple of warehousing optimization type companies, but it's still a little early for us because it's not here yet, it's still in the process of coming back, so, you know, it's certainly an interesting space but it's just a little early for where we play.

Our next guest is Nick Adams, Managing Partner, Differential Ventures

Hall T Martin: [00:07:43] Great. And so, what new applications do you think we're going to see come up with SaaS because of the pandemic?

Nick Adams: [00:07:52] I still think that we're a long ways away from truly consumerizing the enterprise work experience, and I'm eager to see that kickoff and really be adopted at scale and embraced at scale. The move to cloud-based technology has been obviously meaningful over the last 15 years or so, but enterprises are still coming around. There's still only about 15 or 20% adoption of public cloud technology and I think continuing to improve that experience. And the next is what I think is obviously a struggle still today, but will be a huge net positive for society and for the workplace is more of a combined immersive work and life experience. I'm fortunate, having never had a real job or worked for a big company before. I've always kind of been able to have that flexibility and I have a pretty particular balance, I think, of time spent in the office, time working from home, and time traveling that keeps me balanced and, you know, not getting in the hair of my partners too much. And, I know what works for me and I know how to manage it well, I work a lot, and I think more people will really enjoy having the flexibility to, you know, take your kid to the doctor at three o'clock in the afternoon if you have to take your kid to the doctor, and I think businesses will get there much more quickly post-COVID.

Hall T Martin: [00:09:35] Well, you mentioned security was an issue in the pandemic, do you see a lot of startup activity trying to solve that problem now?

Nick Adams: [00:09:42] A lot. I think, you know, security and privacy are really two, I would say, separate topics that have been traditionally conjoined, that are now taking very distinct paths, and security is still one issue. We've invested pretty heavily in zero-trust authentication and again, getting people online with a lighter touch than a VPN, but also in a very secure manner. And then on the privacy side, you know, things have got to change and it's, you know, regulation is really going to be the driver for it and we'll see how it shakes out. We've made a couple of different bets in this space, including

anonymization of private data information all the way out the edge because we already have so many devices online today, adoption and rollouts of 5G networks will only multiply the number of devices that are out there and, we're going to have to have ways to ensure people's privacy as that happens.

Hall T Martin: [00:10:52] Well, we've heard about manufacturing probably coming back to the U.S. for security purposes and supply-chain purposes, and I've heard the term "manufacturing reshoring" where people are coming back. Do you see a lot of SaaS activity going after that sector?

Nick Adams: [00:11:07] Definitely do. Seeing an awful lot of AI in manufacturing especially and I would say I'm less bullish on the idea or confident that, you know, more manufacturing is going to come back to the U.S. But I do think that there's an awful lot of technology being tested and deployed to try and make that happen. Or in my opinion, the more likely outcome is that these jobs will still end up somewhere overseas in a lot of cases, but with better technology to ensure some of those challenges, or button up some of those challenges around security, privacy, safety, everything else.

Our next guest is Jason Kraus, Partner, EQx Fund

[00:07:42] Hall Martin: Right. What new applications do you think we're going to see in SaaS coming up based on being post-COVID and coming out of it – you talked about some of the restaurant applications, but what else do you see out there as a new application that we haven't seen before much of?

[00:08:01] Jason Kraus: Yeah, so I think, I mean, one effect of the pandemic has been, there were, especially in the first couple months, a lot of layoffs and increased unemployment, and then I think there's going to be a new hiring wave coming. So, tools that enable companies to effectively find the right people, whether it's in person or remote work, sort of more of that future of workspace there. I think also more customers have shifted to more online deliveries and at-home experiences and other spaces that they might have only chose to do in person before and now they're sort of even after the fact might still continue looking for things that they wouldn't have necessarily gotten in their home before shifting to that environment. And yeah, I think the companies that found a niche in the pandemic to broaden their audience aren't necessarily going to, you know, that market's not going to go away just because people can go or once people can go back to the office and back to the stores, like, they've gotten accustomed to now it's been six months in a pandemic and people have gotten sort of accustomed to new services and platforms, and I think will still remain users and clients to those businesses for the longer term here.

[00:10:01] Hall Martin: Great. Well, security seems to become an issue with so much remote work going on, how do you see that impacting SaaS and SaaS usage?

[00:10:13] Jason Kraus: Yeah, I think it's definitely become a big concern at the beginning, even companies like Zoom had a large increase in their user base and had to build out new security features they didn't have involved. There were the, what was called, like, Zoom bomb with people randomly popping into meetings and sharing things they shouldn't within the webinars or group meetings there. Then they added new security features to enable waiting rooms and improve everyone that came in.

Other industries, more of file sharing, data storage, cloud storage, in general, is something that's gone up significantly throughout the pandemic; and companies, sort of, because of necessity now, are needing to shift all of their files that, yeah, online that might have only been in a file room or storage system before.

Our next guest is Karey Barker, Founding Managing Director, Cross Creek

Hall Martin: Right. And so what new applications within the sector do you think we will see come up in the SaaS space given the COVID impact?

[00:17:33] **Karey Barker:** Well, a lot of things are just a continuation, things that were strong, get stronger, acceleration, but there have been some real changes, and I think some areas are cybersecurity around the work from home, very different risks and frankly greater risks for employees working at home, and the chief security officers at large corporations are very concerned. So we're seeing an acceleration in spending around work from home software, there's some very interesting new companies that are monitoring productivity, a lot of managers feel less confident about measuring productivity of their employees in this new workflow environment. So we are seeing some specialized COVID SaaS kind of plays around employee productivity, security, and other issues around work from home. And we're also seeing some really interesting COVID driven changes around supply chain software as supply chain really is being rethought because just in time inventory didn't work out so well with some of the supply challenges that people _____ COVID. So we're seeing a real different focus in supply chain SaaS around measuring risk, not just efficiency. So those are some examples where we've seen different types of software coming on with COVID use cases.

[00:19:07] **Hall Martin:** Do you see anything in the manufacturing sector, I'm starting to hear terms like manufacturing reshoring where people are bringing manufacturing to the US for that very reason of having secure supply chains and so forth, but I've not heard much about the manufacturing software sector, what drives manufacturing itself, but what have you heard?

[00:19:28] **Karey Barker:** I don't know that I've heard a lot specifically about the impact on manufacturers because obviously – I mean, we have seen some very interesting new investments in robotics and helping protect the manufacturing portion of the supply chain when employees may not be able to safely come to work. We heard a lot in the press about obviously Amazon trying to even keep, you know, this is more pick pack kind of operations, warehouses that try to keep those warehouse employees safe during COVID. So there definitely has been a lot of software song just around employee safety and monitoring and return to work safely kind of programs. Manufacturing itself we have seen no push for a broader application of robotics which I think is partially being driven by COVID, and I think the risk of the supply chain is definitely maybe not in the actual plant but is looking very closely at where those plants are and diversifying the risk across that manufacturing ecosystem. So in this type of case where a certain plant or even a certain geography may not be able to produce that people have a lot better understanding of managing that risk and dual source and quickly changing their supply footprint.

Our next guest is John Gu, Principal-Growth Equity Group, Spring Mountain Capital

[00:06:06] **Hall Martin:** Great. So what new applications within the sector do you think we'll see coming up?

[00:06:13] **John Gu:** Yeah so I think one of the things that I think is going to be interesting to see is how corporations kind of manage from a remote and virtual sort of environment. There are a lot of benefits, I mean, there's lot of pains due to in person sort of, the work environment _____ you have the commuting costs and commuting time and what not. But there are also a lot of benefits that may not translate as well in kind of work from home environment. And so, I'm really looking forward to seeing some technologies being developed to kind of address that. And so, specifically, I think for HR, what are the best ways to onboard employees as you're looking to hire them, what are the best ways to kind of instill that culture into those employees integrate them when they've never actually physically met their coworkers. And yes, Zoom is definitely one way to do that, but I'm hoping to see other technologies that have new modalities for allowing for that culture dissemination to take place. Likewise, for sales and marketing, I mean, in person events are, for the most part, 20-25% of overall marketing spend, and for good reason, because events drive a lot of leads. And so, without kind of physical, real world events, like, what kind of technologies are we going to see evolve on the event side – right now, we do have virtual webinars, Zoom has a product out there, but I think there is definitely room for improvement compared to what we have today in terms of what a different product could be out there tomorrow to service some of the gaps that still exist within the current technologies. So those are some of the things I'm looking forward to seeing develop as time goes on, because I think work from home is going to be a more persistent part of just daily life. I don't know that we're ever going to go back to kind of like a five-day workweek. And I think as remote working is more common, we have to have better tools to enable that.

Our next guest is JD Weinstein, Head, Global VC Practice, Oracle

[00:12:21] **Hall Martin:** Great. And so, what new applications within SaaS you think will come up now?

[00:12:27] **J.D. Weinstein:** Yeah, I think a major inflection point during the pandemic or a couple key things. So telemedicine, remote work, and then ecommerce, now more before ever. So the pandemic has accelerated 10 or 15 years of ecommerce growth in just a couple of months here. So I think those are going to be your key sort of application based sectors to follow within SaaS.

Our final guest is Stuart Kime, Co-Founder, Chief Future Officer, hOp

[00:20:43] **Hall Martin:** So with the rise of these new micro social networks, what kind of new applications do you think _____ going to come up out of that, is that fostering the sharing economy, is it fostering the news economy, where do we think it's going to really have the biggest impact?

[00:20:58] **Stuart Kime:** Well, we see a lot of our transact – when we first started, we didn't care what people were going to do. We wanted to see what they would do with it. So we had buy, sell; we had send money to a phone nearby; we had – and when we were buying and selling in front of Franklin's Barbecue line, it was just some – we were looking at trying to arbitrage time, like a real time, like an instant real time, letgo or eBay. But in multifamily apartments, people were giving and sharing, and they

were doing it at scale; and we were thinking about where else would these transactions clear. Like why is it that we thought people were going to rent and sell to each other, but somebody just has like a free walk that they never used and they just gave it away? We were getting things like, I'm at Chick-fil-A, does anybody want anything; and I'm making brownies, does anyone have vegetable oil, I'll give you a beer. So it was like this really weird marketplace and we were never going to get paid on. And so we realized that we really had a great feature, but we had the wrong customer. So that is really when we started digging into the property managers and owners, as a person who would want to sponsor this community. And once we got 300 social networks now running autonomously, we're starting to look at other places, and COVID has really hurt a lot of industries. So places like churches that are getting killed in their revenue and attendance, the ones that were streaming beforehand, understand how to make this transition a little better, but a lot of them are struggling. You have schools that don't know how to get back together, there's HOAs, and a lot of these, let's call it subsectors, they don't have modern tech, social media tools. Like Facebook really came out and is trying to make everything happen on that platform, like, even they tried to clone Snapchat, but inside of Facebook; and they tried to clone eBay or letgo, but inside of Facebook; and now they're even doing a Neighbors or whatever they call their next door clone, but it's still inside a Facebook. So if you're going to put all of these features and try to make it all happen inside of one single Facebook feed, then you're going to get a real – the challenge is going to be how good is that algorithm at knowing what I should know next.